

OUTLINE FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT

New Jersey statute (N.J.S.A.18A:4-14) requires that school districts maintain bookkeeping consistent with GAAP established by the GASB. The financial reporting requirements of GAAP include the issuance of a CAFR. These financial statements are the responsibility of the board of education's management. In January 2002, the General Accounting Office (GAO) announced revisions to the auditor independence requirements under Government Auditing Standards (see the Introduction to the Audit Program). The most significant change relates to the rules associated with nonaudit and consulting services performed by those who also plan, conduct or review audits. The department recommends that district management and auditors give careful consideration to this change in the independence standard and its impact on the auditors of the district financial statements. The new audit standard is available on GAO's web site at <http://www.gao.gov/govaud/ybk01.htm>.

Districts should reference the NJ Department of Education (NJDOE) website at www.state.nj.us/njded/finance/fp (click on GASB 34) for selected sample statements updated for GASB 34 including the basic financial statements and budgetary comparisons. The Statistical and the Single Audit sections have not changed under GASB 34 and illustrations of these sections as well as the pre-GASB 34 model are available on the New Jersey Society of CPA (NJSCPA) web site www.njscpa.org/business/governmental.cfm. The NJDOE, after consultation with the NJASBO GASB 34 Taskforce and the NJSCPA, is requiring that, each governmental fund be treated as a major fund in the fund statements for GASB 34 presentation. Questions relating to GASB 34 implementation can be emailed to doecaf@doe.state.nj.us. Sections II and III of The Audit Program include examples of reports, schedules, and notes required for the Single Audit. The illustrative statements and schedules are not intended to be boilerplate nor inclusive of every situation.

The format of the CAFR should adhere to the prescribed format (i.e. section) of the report and numbering of the exhibits as shown on the following pages. Districts should use the applicable outline for either pre-GASB 34 or GASB 34 statements. If a section or exhibit is not applicable to the school district, the notation "N/A" should be indicated against that item in the Table of Contents.

Auditor's Note – Auditors should review The Abbott Addendum for items that specifically relate to Abbott districts.

Under the GASB 34 Model the Basic Financial Statements include:

- District-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

The Basic Financial Statements are presented between two sets of required supplementary information (RSI) that are important for a complete understanding of the financial statements. RSI presented before the basic financial statements is the Management's Discussion and Analysis (MD&A). MD&A prepares the reader to use the financial statements by providing a narrative overview of the information contained in the basic financial statements and other required supplementary information. RSI other than MD&A is presented after the notes to the basic financial statements. Included in the RSI is a budgetary comparison that contrasts information from a district's originally adopted budget, its final modified budget, and its actual results for the year.

Financial reports prepared under GASB 34 will be presented utilizing the same overall format as pre-GASB No. 34 financial reports – Introduction, Financial Statistical and Single Audit Sections.

The contents of each section of the CAFR highlighting GASB 34 variations are follows:

Introductory Section – This section is intended to familiarize the reader with the organizational structure of the school district, the nature and scope of the services it provides, and the specifics of its legal operating environment. It is primarily designed for the taxpayer.

GASB 34 model - This section provides an overview of the annual report. Some of the minimum requirements (set by GASB 34, paragraph 11) for the contents of MD&A are similar to the information currently presented in the letter of transmittal. It is important that the letter of transmittal avoid duplicating information already provided in detail elsewhere in the CAFR (GASB 34, fn 7). The letter of transmittal should be modified to minimize duplication.

Financial Section – This section includes the independent auditors' report, general-purpose financial statements, notes to financial statements, and combining and individual fund and account group statements and schedules. It is primarily designed for oversight and legislative bodies.

GASB 34 model -This section includes the 1) independent auditor's report, 2) MD&A, 3) basic financial statements including the district-wide statements (accrual basis for governmental and business-type activities), fund statements (modified accrual basis for governmental funds, accrual basis for proprietary funds and for fiduciary funds), and notes to financial statements, 4) RSI other than MD&A including budgetary comparison schedules, 5) Other Supplementary Information including combining and individual fund statements, and additional schedules.

Statistical Section – This section is intended to provide CAFR users with a broader and complete understanding of the school district and its financial affairs than is possible from the financial statements and supporting schedules included in the financial section.

Single Audit Section – This section includes independent auditor's reports on compliance and internal control, schedules of expenditures for federal and state grants, notes to the schedules of expenditures of federal and state grants, schedule of findings and questioned costs, and a summary schedule of prior audit findings. This information is required by OMB Circular A-133 and New Jersey OMB Circular Letter 98-07.

OUTLINE OF CAFR (PRE-GASB 34 MODEL)

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